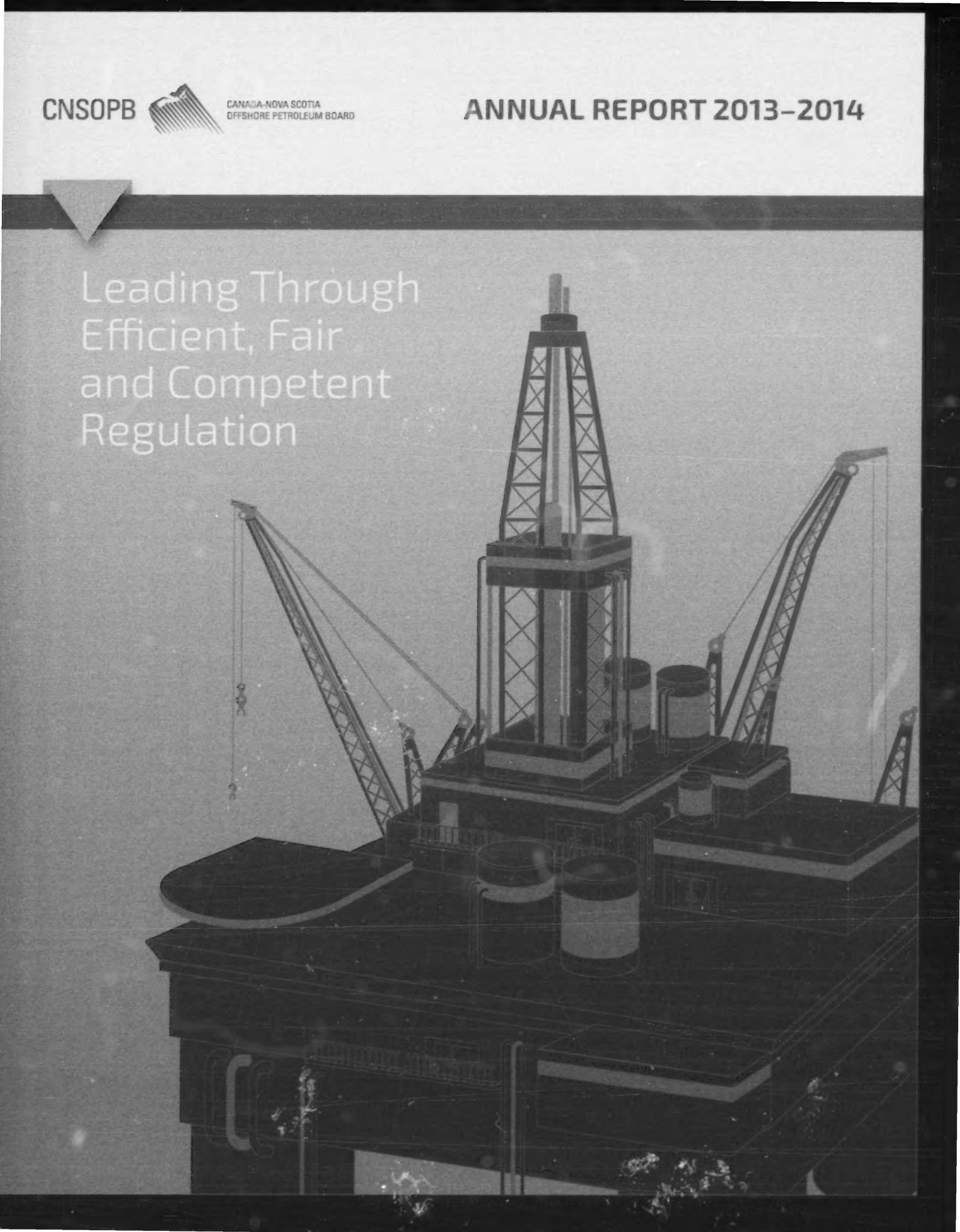
CNSOPB

CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

ANNUAL REPORT 2013–2014

Leading Through Efficient, Fair and Competent Regulation



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REPORT FROM THE CEO & CHAIR

The work that has been carried out over the past year by Board members and Board staff continues to drive improvements, with a clear focus on enhancing safety and environmental protection.

In 2013–2014, staff worked diligently to ensure that exploration activities conducted by Shell Canada Limited and BP Exploration (Canada) Limited on their exploration licences will be carried out in accordance with the high standards set out in legislation and regulations. The results of this hard work began to be realized with the successful completion of Shell Canada Limited's 3D Wide Azimuth Seismic Program from May–September, 2013.

With upcoming deep water exploratory drilling, significant progress has been made in enhancing our already robust regulatory regime that holds operators accountable for conducting their operations in a manner that adopts best practices and is focused on incident prevention. Furthermore, significant progress has been made on spill response preparedness, again with a focus on ensuring that best practices and equipment would be utilized.

In August, the Board approved an Authorization for Encana Corporation to begin production at their Deep Panuke project, after completing extensive readiness for operations reviews. It was an exciting moment for all of us to see this third Nova Scotia project come to production. However, the Board will not rest on its laurels, and will continue to ensure that Encana Corporation operates in a manner that meets all regulatory requirements, as has and continues to be the case with the Sable Offshore Energy Project.

You will notice that we have carefully selected the most important information for publication, resulting in a reduction in size of this Annual Report. This year, we have mindfully scaled back on repetitive reporting in conjunction with the growth of our website. In recent years, we have made strides to see our website regularly updated with timely and accurate information and data. We encourage you to visit our website regularly at www.cnsopb.ns.ca to view our latest developments.

Our Board and staff are excited and enthusiastic to face the challenges that lie ahead for Nova Scotia's offshore area in 2014-2015 and beyond. As always, we will ensure oil and gas activities are managed in a safe and environmentally sound manner as we go forward.

Sincerely,

Stuart Pinks
CEO

Tim Brownlow
Acting Chair

REPORT FROM CHAIR OF HS&E ADVISORY COMMITTEE

The Health, Safety and Environment (HS&E) Advisory Committee was again active throughout the year in providing additional Board level oversight of the organization's health, safety and environmental regulatory practices. This year, the Committee formally met six (6) times with the Board's Operations / Health, Safety and Environment staff to review and examine a number of operational topics.

> **Looking ahead,** the Committee *will focus to effectively guide the organization through the current uptick in offshore exploration activity and for continuing to seek new pathways to optimize the delivery of the Board's regulatory mandate.*

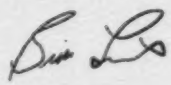
This Committee provides additional assurance that health, safety and environmental protection remain paramount, and that they are considered separately from the Board's other regulatory functions. Significant oversight was afforded to the organizational decision making leading up to the approval in August of Encana Corporation's application to commence production from its Deep Panuke project. Particular attention was given to the sour gas aspect of this project, given the additional risks that this presents. Since production began, the Committee has continued to monitor this project's activity. It has also begun to consider the decommissioning of the Sable Offshore Energy Project from a health, safety and environmental perspective.

The committee also considered the health, safety and environmental protection aspects of Shell Canada Limited's 3D Wide Azimuth Seismic Program which took place between May and September of 2013, as well as to the planning stages of BP Exploration (Canada) Limited's 3D Wide Azimuth Seismic Program scheduled to commence later this spring.

Committee members were active participants in the 5th International Regulators' Offshore Safety Conference held in Perth, Australia. The conference brought together 170 regulatory, industry and workforce representatives from 19 countries and provided an excellent forum for participants to learn from each other's experiences, and to use that knowledge to improve global offshore safety standards. As Chair of the HS&E Advisory Committee, I have seen first-hand that developing formal relationships with regulators from around the world has become an invaluable tool not just for the HS&E Advisory Committee, but for the entire Board.

Looking ahead, the Committee will focus on the Board's preparations for regulating upcoming exploratory drilling in deep water. The Board will ensure that operators appropriately manage risks so as to prevent incidents from occurring, and are fully prepared to respond to any incidents should they take place.

Sincerely,



Brian Lewis,
Chair, HS&E Advisory Committee

1 CORE REGULATORY RESPONSIBILITIES

The Board's core regulatory responsibilities span the full lifecycle of offshore activities including resource assessments, exploration, development, production and abandonment.

The Board's mission, vision and mandate align with these responsibilities.

1.1. BOARD MISSION, VISION, AND MANDATE

Mission The efficient, fair and competent regulation of exploration and production activities enabling safe and responsible development of Nova Scotia's offshore petroleum resources.

Vision The Board is respected both locally and internationally for its proficient regulation of offshore petroleum activities providing high benchmarks for others to emulate.

Mandate To apply the provisions of federal-provincial Accord Act legislation governing offshore oil and gas activities, including:

- Health and safety of workers;
- Protection of the environment;
- Management and conservation of petroleum resources;
- Canada-Nova Scotia employment and industrial benefits;
- Issuance of licences for exploration and development; and
- Resource evaluation, data collection, curation and distribution.

1.2. KEY ACCOUNTABILITIES

The following describes the Board's key accountabilities in fulfilling its core regulatory mandate as described above.

Health & Safety of Workers

- To advance health and safety of offshore workers.
- To determine the readiness of operators to conduct offshore activities in a safe and compliant manner when considering authorization and approval applications from operators.
- To monitor operations for compliance with applicable regulatory requirements including health and safety management systems and plans, authorization and approval conditions, and operator commitments.

Protection of the Environment

- To advance protection of the environment.
- To determine the readiness of operators to conduct offshore activities in an environmentally responsible and compliant manner when considering authorization and approval applications from operators.
- To monitor operations for compliance with applicable regulatory requirements including environmental management systems and plans, authorization and approval conditions, and operator commitments.

Management and Conservation of Petroleum Resources

- To advance conservation of offshore petroleum resources.
- To determine the readiness of operators to conduct offshore activities in a manner that will allow for a comprehensive evaluation of all petroleum resources, and additionally that production activities will optimize recovery of petroleum resources, when considering authorization and approval applications from operators.
- To monitor operations for compliance with applicable regulatory requirements including relevant resource evaluation and reservoir management systems and plans, authorization and approval conditions, and operator commitments.

Canada-Nova Scotia Employment and Industrial Benefits

- To assess Canada-Nova Scotia Benefits Plans, and monitor resulting activities, for compliance with applicable regulatory requirements and operator commitments.

Compliance Enforcement

- To take necessary enforcement actions so that non-compliances with regulatory requirements are corrected by operators.

Issuance of Licences for Exploration and Development

- To manage licensing of lands in compliance with regulatory requirements for interests.

Resource Evaluation, Data Collection, Curation and Distribution

- To build and develop a knowledge base for the Nova Scotia offshore area through the collection, curation, interpretation and dissemination of data from exploration and production activity.

1.3. STRATEGIC DIRECTION

The Board has identified a number of initiatives, aligning with the following three (3) strategic priority areas, to enhance the delivery of its regulatory mandate:

- Organizational Excellence;
- Optimizing Regulatory Processes; and
- Proactive Communication/Stakeholder Relations.

Significant progress was made in each of these areas over the reporting period as summarized below.

1.3.1. Organizational Excellence

- The past year was one of significant change at the senior level due to retirements and other transitions. This provided the opportunity to strategically realign responsibilities within the organization, to reduce the number of management positions, and to fill certain key leadership positions with new personnel recruited both internally and externally. The Board's management team is now optimally structured to effectively guide the organization through the current uptick in offshore exploration activity and for continuing to seek new pathways to optimize the delivery of the Board's regulatory mandate.

- Organizational core values were reviewed and updated to provide a supporting framework for staff in accomplishing their part of the organization's mission.

- To ensure that internal expertise is appropriately maintained and developed, and in recognition of the rapid rate of technological change that is occurring within the industry that the Board regulates, competency and training requirements specific to each staff position were reviewed and updated.

- The Board's new electronic document and records management system was installed and evaluated by a pilot team. Once put into full production, it will improve efficiencies in the storage, organization, retrieval and security of the Board's documentation and corporate records.

- A formalized internal audit program was initiated within the organization. Two (2) audits were completed – the first focused on the Board's Fundamental Decision processes, and a second on the Board's Rights Management processes. These audits were completed using external auditing specialists provided by Deloitte.

> **The Board's management team is now optimally structured**
>
> *to effectively guide the organization through the current uptick in offshore exploration activity and for continuing to seek new pathways to optimize the delivery of the Board's regulatory mandate.*

1.3.2. Optimizing Regulatory Processes

1.3.2.1 Preparation for Deep Water Drilling

In preparation for upcoming deep water drilling by Shell Canada Limited and BP Exploration (Canada) Limited, the Board continued to implement its detailed action plan to assure its readiness. Key advancements are summarized as follows:

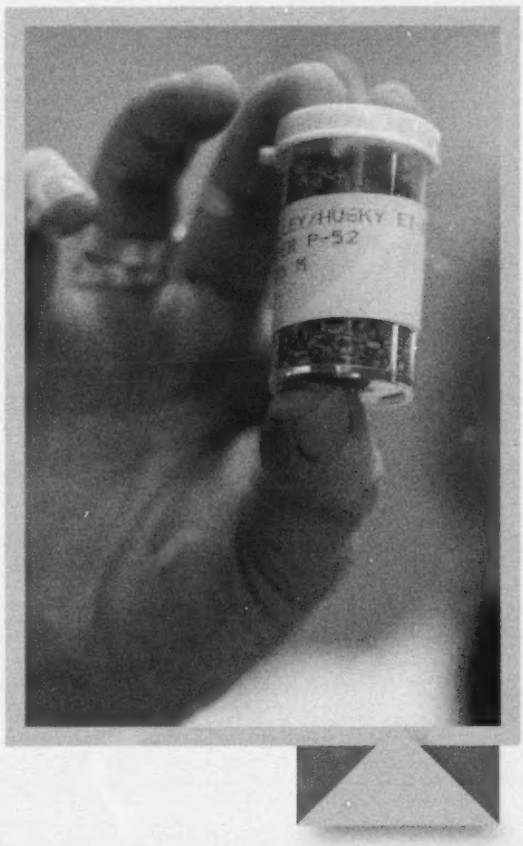
- Safe drilling: advancements in best practices continue to be identified in preparation for revising Drilling and Production Guidelines published jointly with the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB).

- Spill response preparedness: the Board, in conjunction with the C-NLOPB, is developing a program for verification of the capacity of spill response contractors that operators would call upon to respond in the case of a spill.

- Internal competencies / training: the Board continues to identify and secure access to supplemental expertise that could be called upon, if and when needed, to assist in fulfilling its regulatory oversight role of an operator's response should a spill occur. It is intended that such supplemental expertise would be secured from other government departments and agencies, well control specialists, and spill response organizations. Board staff has also been completing specialized drilling engineering, emergency response, and spill response courses.

- Emergency preparedness and contingency planning: internal processes continue to be exercised and improved.

- Updating / developing Memoranda of Understanding (MOU) with other federal government departments and agencies (e.g. Environment Canada, Fisheries and Oceans Canada, Canadian Coast Guard) that may participate or assist in emergency / spill response. Meaningful progress has been made on all fronts.



1.3.2.2 Other

The Occupational Health and Safety (OSH) Accord Act amendments continue to be advanced through parliamentary processes with promulgation expected in the 2014-2015 fiscal year. The Board has been preparing internally to implement this new legislation so as to ensure that operators and Board staff properly address the new provisions.

- Promotion of Safety Culture – The Board, along with the C-NLOPB and the National Energy Board (NEB), initiated a joint Canada wide project to advance safety culture (which by definition includes elements of environmental protection) in regulated entities. As a first step, the three (3) Boards developed and issued a document for public comment that includes a proposed safety culture definition and framework, and which expresses expectations of regulated companies to build and sustain a positive safety culture.

- The Board continues to implement the recommendations from the Federal Auditor General's audit of the Board's environmental protection mandate. The Board's action plan, which addresses each of these recommendations, is tracking progress made on each item.

- In addition to those detailed in the section above, other MOUs were updated and/or are under development to clarify respective roles and working arrangements, including:
  - With the Public Prosecution Service of Canada (concerning services that would be provided in the event of a decision to pursue a prosecution);
  - With the Diver Certification Board of Canada (concerning the certification of commercial divers);
  - With Transport Canada – Marine Safety & Security (concerning marine safety); and
  - With Natural Resources Canada and the Nova Scotia Department of Energy (concerning occupational health and safety in respect of the pending OHS Accord Act amendments).

- The following Board guideline documents, issued to assist operators in complying with regulatory requirements, are under development:
  - An updated draft of the Geophysical, Geological, Geotechnical and Environmental Program Guidelines clarifying and standardizing program authorization and reporting requirements for geological and geophysical exploratory work, seabed surveys, and environmental programs was completed, and has been issued for public comment.
  - Given that the outdated Standards Respecting Standby Vessels was repealed by Transport Canada, the CNSOPB, C-NLOPB and the NEB have undertaken to prepare modernized Standby Vessel Guidelines applicable to Canada's offshore areas. Several drafts have been produced, and consultation with stakeholders continues.

- Board staff have been providing significant input to governments to assist them in their drafting of proposed "Polluter Pays" amendments to the Accord Acts, along with the related Financial Responsibility, Cost Recovery and Administrative Penalties Regulations.

- The new Canadian Environmental Assessment Act 2012 (CEAA 2012) legislation is being applied to environmental assessments of offshore activities (e.g. Shell Canada Limited's exploration drilling). Analogous Board processes are being applied to assessments not conducted under CEAA 2012.

- Updated resource assessments of the fifteen (15) undeveloped Significant Discoveries offshore Nova Scotia have been finalized and are posted on the Board's website. This was completed to develop and support an independent understanding of all hydrocarbon resources, and assists the Board in executing its internal processes focused on resource management.

1.3.3 Communication / Stakeholder Relations

- In the wake of increased activity in Nova Scotia's offshore area, the Board has been working to improve processes around communications and stakeholder relations. This included the development of thorough communications plans, meeting with stakeholder groups, and refining practices for incident reporting.

- In addition, the Board has been taking advantage of opportunities to create a dialogue on deep water drilling. In October, Board CEO Stuart Pinks spoke on how the Board is preparing for upcoming deep water drilling at the Core Energy Conference hosted by the Maritimes Energy Association. This presentation is available on the Board's website under the 'Presentations' page in the 'Media' section.

"

Promoting Advancements in safety culture

The Board, along with the C-NLOPB and the National Energy Board (NEB), initiated a joint Canada wide project to advance safety culture (which by definition includes elements of environmental protection), in regulated entities."

2 SUMMARY OF OFFSHORE WORK AND ACTIVITIES

No work or activity related to the exploration for, development of, or transportation of petroleum can be conducted without a specific authorization issued by the Board.

Prior to issuing any such authorizations, the Board requires that the following be submitted in a satisfactory form:

- Development Plan (for development-related activities);
- Summary of Proposed Operations;
- Safety Plan;
- Certificate of Fitness (if applicable);
- Environmental Assessment;
- Environmental Protection Plan;
- Emergency Response, Spill Response and Contingency Plans;
- Canada-Nova Scotia Benefits Plan;
- Financial Security;
- Declaration of Operator; and
- Environmental Effects Monitoring Plan (where applicable).

Figure 1 (next page) provides a summary of work and activity authorization applications that were submitted and approved between April 1 and March 31 over the last four fiscal years. For 2013-2014, this included:

- **Deep Panuke**: In August 2013, an Operations Authorization — Production was granted to Encana Corporation. The application for authorization was initially submitted in November 2011, and was only granted after the Board was satisfied that Encana Corporation met or exceeded the Board's requirements listed above. This involved extensive reviews of documentation submittals, and numerous site inspections and audits that included a comprehensive Readiness for Operations audit.

- **Sable Offshore Energy Project**: In 2013-2014, the Board performed an in depth review and approved ExxonMobil Canada Ltd's application to renew their Operations Authorization - Production for a further three (3) year period. The Board also granted two (2) Approvals to Alter the Condition of a Well for the Thebaud 3 and South Venture 2 wells, and one (1) Diving Program Authorization in November.

- **Shell Canada Limited**: The Board granted a Geophysical Work Authorization to Shell Canada Limited to conduct a 3D Wide Azimuth Seismic Program between May and September 2013 over a significant portion of their deep water Exploration Licences.

Figure 1. Summary of Offshore Work and Activities

WORK OR ACTIVITY APPROVED	NUMBER OF APPLICATIONS APPROVED			
	2010/11	2011/12	2012/13	2013/14
GEOPHYSICAL/GEOTECHNICAL/GEOCHEMICAL				
Seismic	1	-	-	1
Seabed/Geotechnical Evaluations	-	3	-	-
DRILLING				
Operations Authorization – Drilling	-	-	-	-
Well Approval: Approval to Drill a Well	-	-	-	-
Well Approval: Approval to Alter the Condition of a Well	3	-	-	-
INSTALLATION				
Authorization to Install	1	-	-	-
Operations Authorization - Install	-	2	-	-
PRODUCTION				
Operations Authorization — Production	-	-	-	1
Operations Authorization — Production Renewal	1	-	-	1
Well Approval: Approval to Alter the Condition of a Well	-	-	2	2
DIVING				
Diving Program Authorization	1	1	-	1
TOTAL	**7**	**6**	**2**	**6**

3 HEALTH, SAFETY & ENVIRONMENTAL PROTECTION

3.1. SAFETY PLANS

All operators applying to the Board to conduct petroleum activities in the Nova Scotia offshore area must submit prescribed safety-related documentation, including a Safety Plan, for review. The Safety Plan establishes the procedures, practices, resources and monitoring measures necessary to ensure the safety of a proposed project or activity.

Safety Officers thoroughly reviewed Safety Plans and related documentation for acceptability, prior to the Board's granting of an authorization for each of the activities listed in Section 2.

3.2. SAFETY PERFORMANCE

Operators are required to report health and safety-related incidents to the Board, as and when they occur. For each reported incident, the Board verifies that the operator has taken the appropriate actions to determine the cause of the incident and to prevent its recurrence. The Board reviews this information, as well as information from other independent sources, to determine possible trends and commonalities, and to identify specific target areas for improvement. More significant incidents may also be investigated independently by Board staff.

3.2.1. Injury Statistics

In 2013-2014, there were 1,181,845 person hours worked under Board authority in the Nova Scotia offshore area. During that period, there were four (4) disabling injuries. Board Safety Officers investigated each of these incidents to ensure that corrective actions have been taken. Disabling injury statistics are tabulated in **Figure 2** on the next page.

Figure 2. Disabling Injury Statistics

	2009/10[2]	2010/11	2011/12	2012/13	2013/14
Number of Disabling Injuries[1]					
Installations	4	2	0	3	1
Vessels	4	1	0	1	3
Aviation	0	0	0	0	0
TOTAL	**8**	**3**	**0**	**4**	**4**
Person Hours					
Installations	551,033	450,857	549,116	716,272	562,584
Vessels	1,060,901	403,868	413,729	268,529	591,084
Aviation	34,154	45,124	22,542	24,301	28,177
TOTAL	**1,646,088**	**899,849**	**985,387**	**1,009,102**	**1,181,845**
Frequency Rate (per 200,000 person hours)					
Installations	1.45	.89	0	.84	.36
Vessels	.75	.50	0	.74	1.02
Aviation	0	0	0	0	0
TOTAL	**0.97**	**0.67**	**0**	**0.79**	**0.68**

NOTE: (1) The term "disabling injury" means an employment injury or an occupational disease that:

(a) prevents an employee from reporting for work or from effectively performing all the duties connected with the employee's regular work on any day subsequent to the day on which the disabling injury occurred, whether or not that subsequent day is a working day for that employee,

(b) results in a loss by an employee of a body member or part thereof or in a complete loss of its usefulness, or

(c) results in the permanent impairment of a body function.

(2) The disabling injury statistics for 2009/10 are based on 15 months (inclusive of Q1 2009 – Q1 2010); this is to align with the fiscal-year reporting period.

3.3. ENVIRONMENTAL ASSESSMENTS

3.3.1. Strategic Environmental Assessments

Prior to issuing exploration licences in new offshore areas, the Board conducts Strategic Environmental Assessments (SEAs) so that specific environmental issues may be considered ahead of irrevocable decisions that may be taken by the Board and by potential bidders. Board staff completed two (2) SEAs in 2013, the Eastern Scotian Shelf Misaine and Banquereau Banks SEA and the Eastern Scotian Slope (Eastern Portion) and Laurentian Fan (Western Portion) SEAs. The Board is currently in the process of completing two (2) additional SEAs in the Western Scotian Shelf area and in the Western Scotian Slope area. A map illustrating the locations of SEAs in the offshore can be found on the Board's website under the 'Environment' tab.

3.3.2. Project Specific Environmental Assessments

The Board requires that an Environmental Assessment (EA) is conducted for all proposed exploration and production activities. In cases where an EA is not required pursuant to the CEAA 2012, such EAs are conducted under analogous Board established processes. During the 2013-2014 fiscal year, three (3) EAs plus one (1) addendum were completed or were underway. Shell Canada Limited Submitted an EA in support of its application for their 3D Wide Azimuth Seismic Program, as well as an addendum to this EA in support of its application for a seabed survey to take place in the spring and summer of 2014. Shell Canada Limited also began the EA process for a proposed drilling program to begin in 2015. This EA is being conducted under the CEAA 2012 and the Board is comprehensively involved in the EA process.

BP Exploration (Canada) Limited submitted an EA in support of its application for their seismic program scheduled to begin in the spring of 2014.

3.4. ENVIRONMENTAL PROTECTION PLANS AND SPILL RESPONSE PLANS

Board staff reviewed the Deep Panuke Spill Response Plan (SRP) for production operations as well as a revised version of the Sable Offshore Energy Project (SOEP) SRP. Once changes were appropriately incorporated as a result of Board staff comments and public feedback, these spill response plans were deemed acceptable for implementation by the operators. The environmental protection plans for both projects had previously been accepted following Board reviews in 2012. Both SRPs are publicly available on the Board's website.

3.5. ENVIRONMENTAL EFFECTS MONITORING

Environmental Effects Monitoring (EEM) for offshore petroleum activities in the Nova Scotia offshore area involves scientific monitoring of the effects of petroleum activities on specific components of the surrounding environment.

The results of the EEM programs are submitted to the Board for review in the first quarter of each year. These reports are provided to Fisheries and Oceans Canada and Environment Canada for review and advice. Results of 2012 EEM programs conducted by both ExxonMobil Canada Ltd. for the SOEP and by Encana Corporation for Deep Panuke commissioning activities were reviewed and accepted in 2013.

The SOEP EEM program focused on fish and site-related effects on benthic and fish habitat, shellfish, seabirds, air quality, and fish health, as well as the effects of produced water on the environment.

The Deep Panuke EEM program focused on marine water quality, sediment chemistry and toxicity, fish habitat alterations and marine wildlife observations as a result of commissioning activities.

3.6. ENVIRONMENTAL PERFORMANCE

Spills and Releases: Regulations provide that all spills and releases are to be reported to the Board and other applicable government departments. The Board reviews and/or investigates potential environmental impacts of each spill and accidental release. It also monitors spill occurrences to determine if any trends are occurring. Environmental concerns include the potential impact of petroleum products on seabirds and the potential impact of spills on the marine habitat.

There were ten (10) spills to the ocean reported during the 2013–2014 fiscal year. The table below categorizes the spills to the sea.

Figure 3. Spills to the Sea[a]
(April 1, 2013 - March 31, 2014)

Material	Less than 1L	1-10L	11-150L	Greater than 150L	Total
Hydraulic Oil	2	1	-	1	**4**
Diesel	1	-	-	-	**1**
Condensate	3	-	-	1	**4**
Light Oil	-	-	1	-	**1**
TOTAL	**6**	**1**	**1**	**2**	**10**

NOTE: (a) Does not include minor exceedences to authorized discharge limits (e.g. oil in produced water) or gas releases.

4 RIGHTS MANAGEMENT

The rights issuance, or licensing policy, is governed by Part II of the Accord Acts, which is based on the Canadian Petroleum Resources Act model.

Annually, the Board's anticipated decisions respecting the making of a Call for Bids and the terms and conditions of the resulting licences are sent to the federal and provincial governments in the form of the Board's annual Strategic Plan for interests, exploration and development.

4.1. CALL FOR BIDS

A Call for Bids is a formal announcement by the Board that a licence is available to be awarded through a competitive bidding process. The land in which the licence is available for bidding has been nominated by industry or posted by the Board.

Nominations are reviewed on December 1st of each year for consideration for the Call for Bids announced in April of the following year. The Board has outlined Call for Bids Forecast Areas on a rolling three (3) year basis, which can be found on the Board's website.

Call for Bids NS13-1

Call for Bids NS13-1 was announced on April 22, 2013 and closed on October 24, 2013. No bids were received.

This Call for Bids consisted of six (6) offshore parcels on the central and eastern Scotian Shelf. Board staff prepared an in-depth regional and subregional geological and geophysical analysis of each parcel. This information was made available through the Board's website.

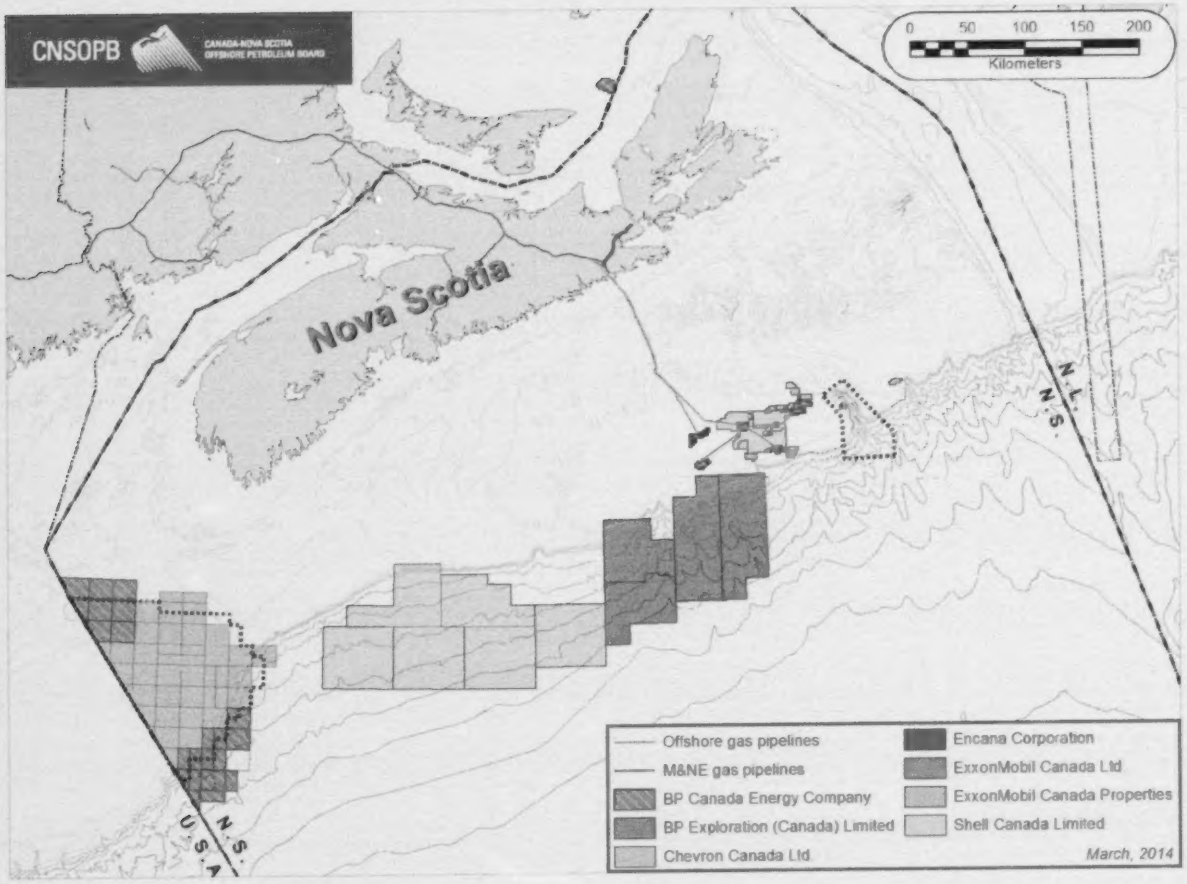
4.2. ACTIVE LICENCES

Figure 4 on the next page shows active licences offshore Nova Scotia as of March 31, 2014. Additional information about all active licences offshore Nova Scotia can be found on the Board's website.

There were no changes to the number of Exploration Licences (ELs) this fiscal year. As of March 31, 2014, there were twelve (12) active ELs for offshore Nova Scotia, with total original work expenditure bids of $2,051,853,227.00. The twelve (12) ELs cover an area of 3,531,112 hectares.

There were no changes to the number of Significant Discovery Licences or Productions Licences this fiscal year.

Figure 4. Active Licences



5 RESOURCES

5.1. SABLE OFFSHORE ENERGY PROJECT

Board staff are continuing to monitor daily production and reservoir performance from the SOEP fields to ensure effective reservoir management strategies are in place. During the reporting period staff reviewed the annual updates to the SOEP Reservoir Management Plan (RMP), Gas in Place Report and Project Depletion Plan. The Sable Measurement Guide was also updated and measurement activities were monitored to ensure compliance with regulatory requirements.

During the reporting period, SOEP's average daily production rate decreased from approximately 5.0 E6m3/d (Million Cubic Metres per day) or 177 MMscf/d (Million Standard Cubic Feet per day) to 4.1 E6m3/d (146 MMscf/d). This decrease was caused by natural production decline and also the lack of production from some fields, for a portion of the year, due to operational reasons. Total SOEP gas production to March 31, 2014 was 54.2 E9m3 (Billion Cubic Metres) or 1.9 Tcf (Trillion Cubic Feet). Total yearly production for each SOEP field is shown in **Figure 5**. The average daily gas rate for each SOEP field is shown graphically in **Figure 6** and in a table in **Figure 7**.

5.2. DEEP PANUKE

Gas production from the Deep Panuke field commenced on August 7, 2013 and the first gas was exported from the Production Field Centre (PFC) on August 11, 2013.

Staff are continuing to monitor daily production and reservoir performance to ensure effective reservoir management strategies are in place and to confirm compliance with regulatory requirements. Final verification and close-out of a number of reservoir management items that were identified by the Deep Panuke Readiness for Operations audit was completed during the year. A number of reservoir management documents were reviewed during the reporting period, including the Production Reporting Philosophy, Pool Designation Application and the Flaring Plan. Since late December 2013, daily gas production from Deep Panuke was at or near the target production rate of 300MMscf/d or 8.5 E6m3/d.

Board staff are developing a Deep Panuke reservoir simulation model that will allow for improved monitoring of well and field performance by the Board.

Figure 5. SOEP Total Gas Production by Field Each Fiscal Year

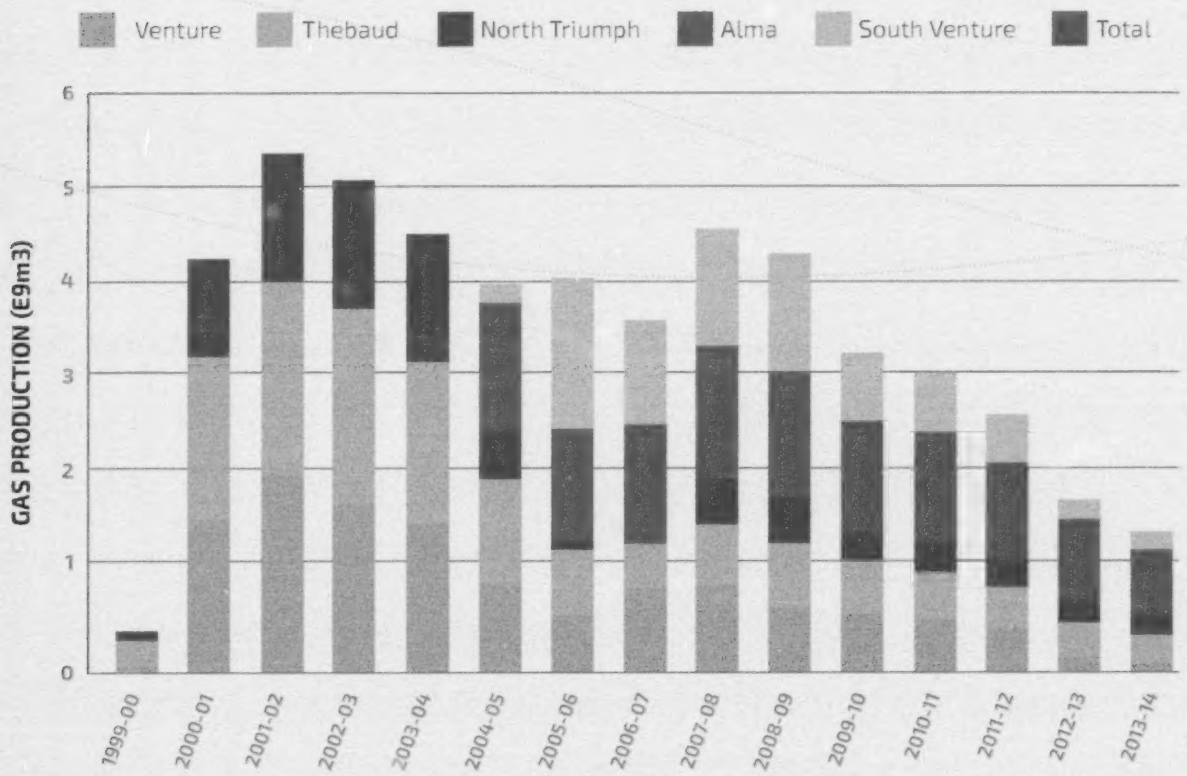
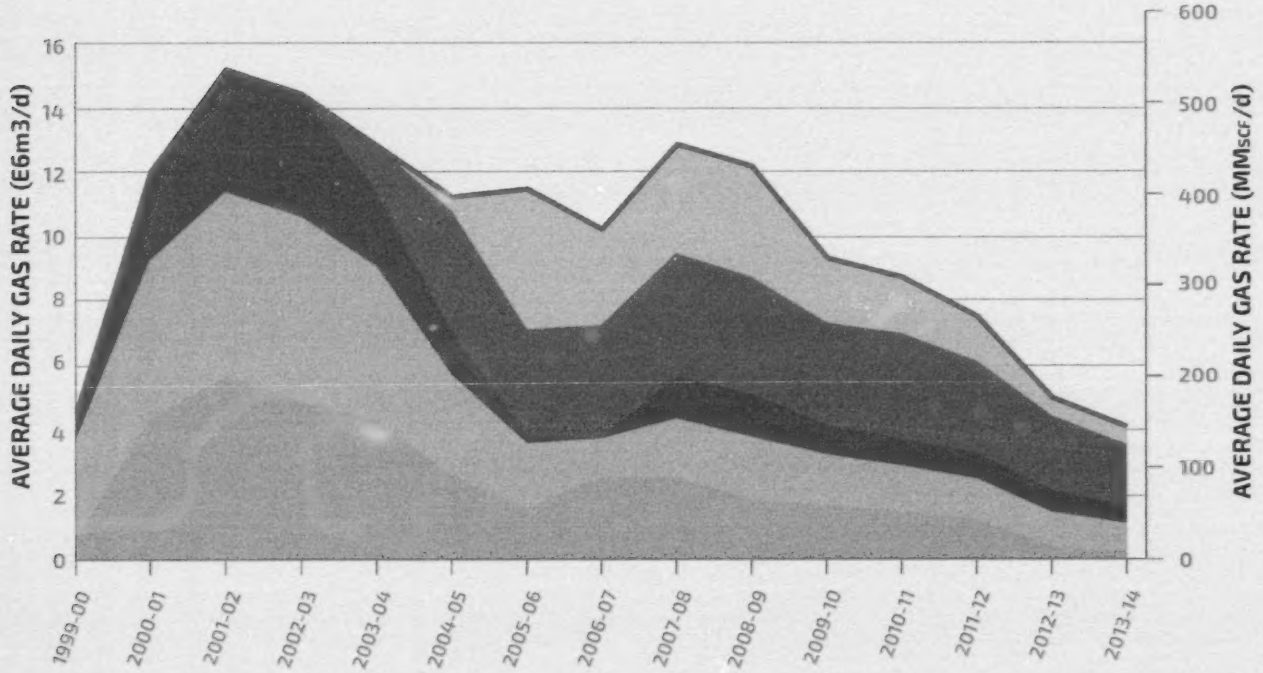


Figure 6. SOEP Average Daily Gas Rate Each Fiscal Year



Total Deep Panuke gas production to March 31, 2014 was 1,165 E6m3 (41.1 Bcf). Deep Panuke monthly production, since first gas in August 2013, is shown in **Figure 8** and the average daily gas rate, by month, is shown in **Figure 9** on the next page.

Figure 7. SOEP Total Average Daily Gas Rate Each Fiscal Year

Fiscal Year	(E6m3/d)	(MMscf/d)
1999-00	4.7	167
2000-01	12.0	425
2001-02	15.2	536
2002-03	14.4	509
2003-04	12.8	452
2004-05	11.3	400
2005-06	11.5	406
2006-07	10.3	362
2007-08	12.9	456
2008-09	12.2	431
2009-10	9.3	329
2010-11	8.7	308
2011-12	7.5	264
2012-13	5.0	177
2013-14	4.1	146

5.3. GEOSCIENCE STUDIES AND RESOURCE ASSESSMENTS

During the year, Board staff were involved in a number of provincial government initiatives related to Call for Bids NS13-1. This involved participation at conferences and technical sessions where staff presented the results of the Board's geoscience study of the Call for Bids NS13-1 area.

Staff completed a comprehensive geoscience study of the 2014 Call for Bids Forecast Area located on the eastern Scotian Slope. The results of this study will be incorporated into the Board's Call for Bids NS14-1. A detailed hydrocarbon resource assessment of the fifteen (15) undeveloped Significant Discoveries offshore Nova Scotia was also completed. This report is an update to the Technical Summaries resource assessment originally published by the Board in 1997. The 2014 resource assessment will be published on the Board's web site in April 2014.

During the year, staff provided seismic and well log interpretation and expertise to the Nova Scotia Department of Energy and the Offshore Energy Research Association in support of their project to study the geology and hydrocarbon potential of the Laurentian Subbasin. Staff are also involved in a number of new provincial geoscience research initiatives designed to improve the understanding of the Nova Scotia offshore area.

Figure 8. Deep Panuke Total Monthly Gas Production by Well Ending March 31, 2014

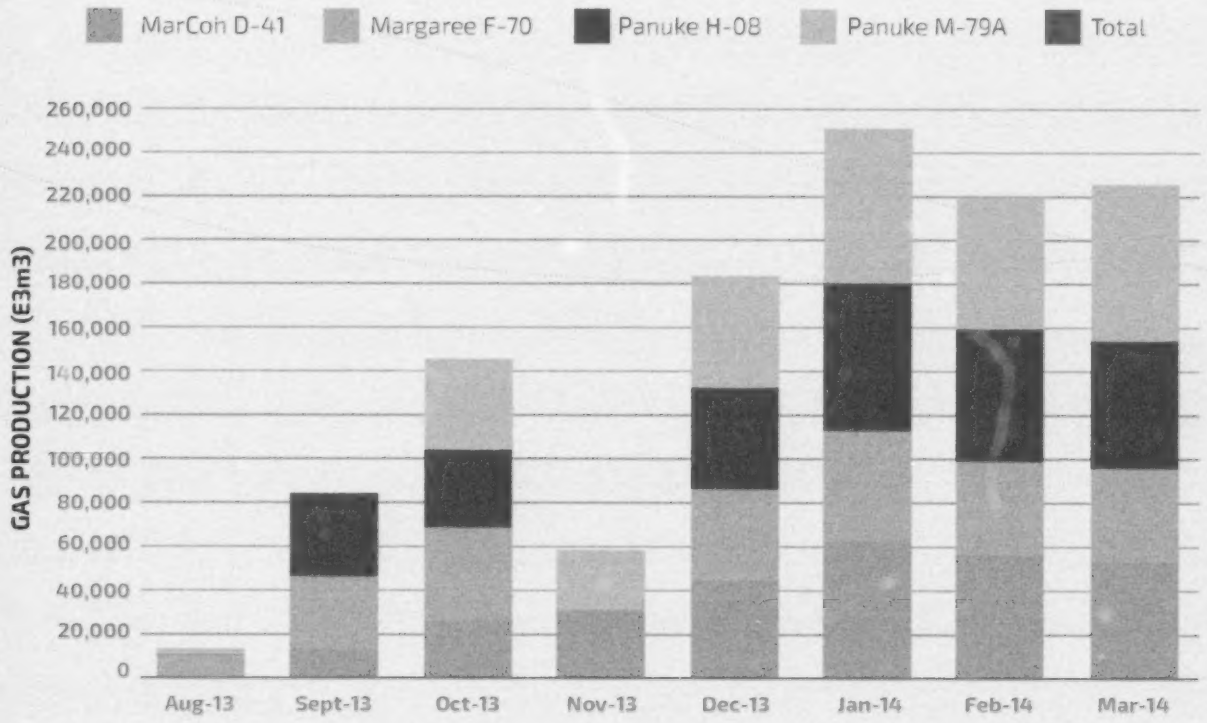
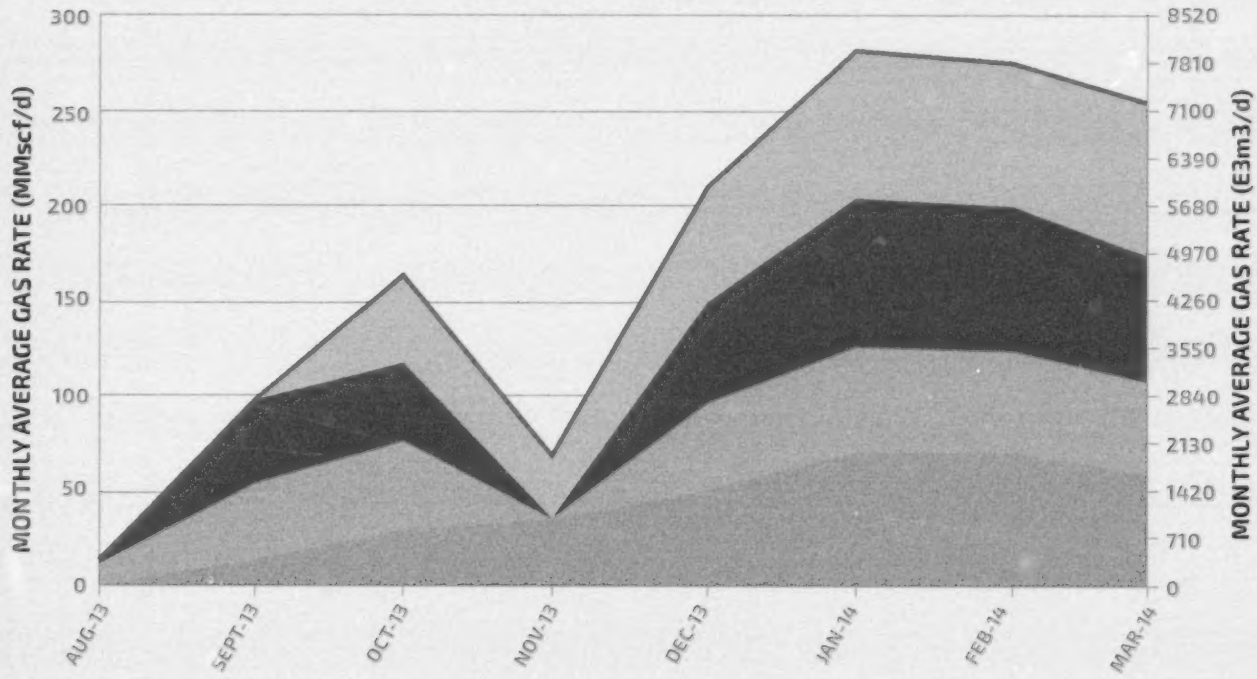


Figure 9. Deep Panuke Monthly Average Rates Ending March 31, 2014



6 INDUSTRIAL BENEFITS

6.1. SABLE OFFSHORE ENERGY PROJECT

ExxonMobil Canada Ltd., the operator of the SOEP, files an annual Benefits Report with the Board. As stated in the report submitted to the Board for the period ending December 31, 2013, SOEP has spent $2.585 billion in Nova Scotia to date. $1.155 billion has been spent in the rest of Canada, with overall Canadian spending totaling $3.74 billion. Cumulatively, Nova Scotia person hours amounted to 22.43 million, while the rest of Canada totaled 3.5 million person hours.

2013-2017 SOEP Research and Development Plan

In 2011 the Board approved SOEP's Research and Development (R&D) Plan for the 2013-2017 period. Within this plan SOEP has committed to spend a minimum of $3 million over the five (5)-year period on eligible R&D initiatives, with no less than $375,000 to be spent in any individual year. A key initiative approved under this plan is the funding of a Centre of Excellence for Geoscience R&D at Dalhousie University. This initiative involves a cash grant contribution and provides Dalhousie researchers and their collaborators/co-authors access to the Sable Mega-Merge 3D seismic dataset.

6.2. DEEP PANUKE

Encana Corporation, the operator of the Deep Panuke, is required to file semi-annual benefits reports with the Board during the project development phase, and annual reports during production. According to the report submitted to the Board for the period ending December 31, 2013, cumulative Nova Scotian person hours amounted to 4.37 million, while the rest of Canada totalled 0.66 million person hours.

Deep Panuke R&D Fund

Encana Corporation has committed to spending a minimum of 0.5% of the gross revenues from Deep Panuke over the life of the project on eligible Education and Training (E&T) and R&D initiatives. During the development phase the funds available each year for E&T/R&D were based on 0.5% of allowable capital costs in the previous calendar year. For the first ten (10) years of production, a credit based on 10% of Encana Corporation's approved E&T/R&D expenditures from the development phase will be applied to Encana Corporation's annual commitment.

Encana Corporation fulfilled its commitment to issue public Calls for Proposals in 2012. In addition to the R&D that resulted from those Calls for Proposals, the Board has approved a number of other E&T/R&D initiatives undertaken or funded by Encana Corporation.

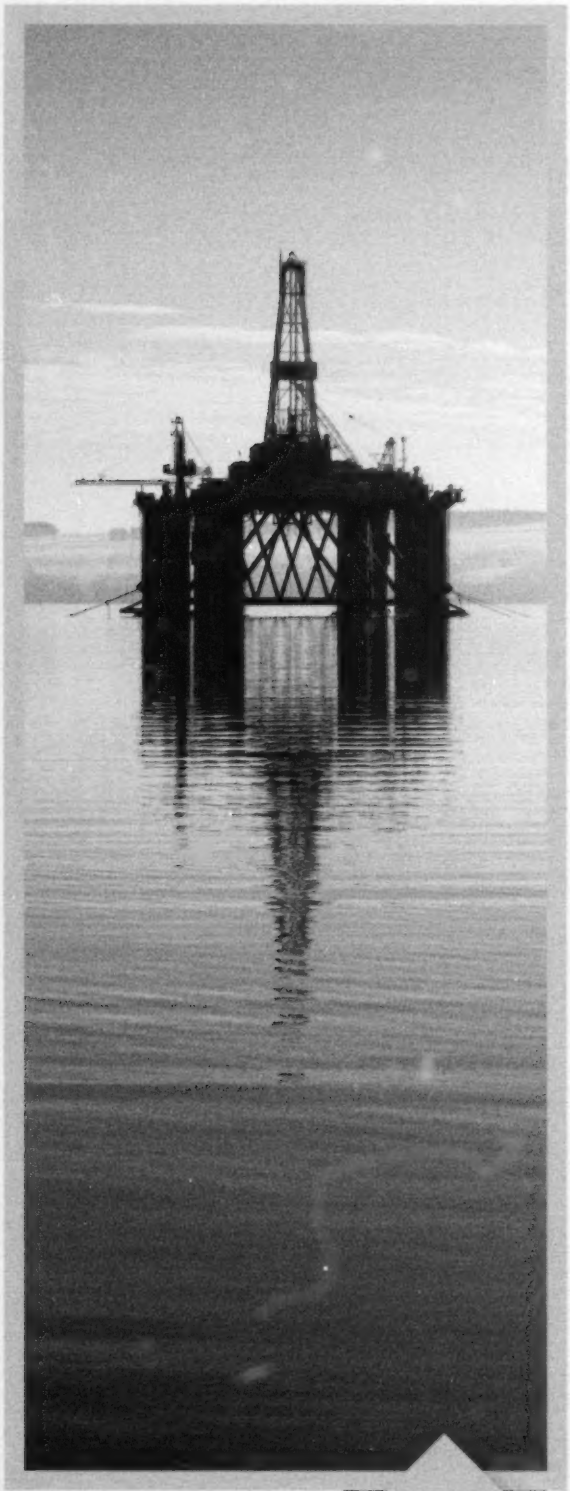


Photo credit: Encana Corporation

A sampling of approved E&T/R&D initiatives is included within the Deep Panuke Benefits Report, which can be found on the Board's website.

6.3. EXPLORATION

The Board currently monitors one (1) approved Benefits Plan for exploration activities; Shell Canada Limited's seismic Benefits Plan was approved in 2013. The provisions of this plan are also being applied to Shell Canada Limited's early procurement activities related to its planned drilling program.

Board staff is currently reviewing a seismic Benefits Plan submitted by BP Exploration (Canada) Limited.

7 FINANCIAL STATEMENTS

7. FINANCIAL STATEMENTS

Please go to **www.cnsopb.ns.ca/about-us/annual-report** for the 2013-2014 Audited Financial Statements prepared by Levy Casey Carter MacLean.

CNSOPB

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